

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

The Montana Constitution and Montana statutes govern the investment activity of the retirement funds administered by the Public Employees' Retirement Board (PERB). The "prudent expert principle," contained in the Montana Constitution and Montana statute, requires the fiduciaries of the funds, including the Montana Board of Investments (BOI), to discharge their duties in the same manner that a prudent expert acting in a fiduciary capacity and under the same circumstances, exercises in the conduct of an enterprise of a similar character with similar objectives.

The prudent expert principle permits further diversification of the holdings of the fund to minimize the risk of loss and maximize the rate of return. The opportunity to diversify among various asset classes does enable a fund to reduce volatility and increase returns.

The BOI prepares and provides information related to the defined benefit investments for the PERB. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, is responsible for the presentation of the report of investment activity.

INVESTMENT GOALS AND OBJECTIVES

The basic goal influencing the investment activity for the PERB is two-fold. First is to realize compound rates of return sufficient to fund promised benefits; and the second is to provide benefit services at the lowest possible cost to employers and members.

The basic investment objective of the BOI is achievement of a total rate of return which exceeds the rate of inflation as measured by the Consumer Price Index by 3% over any five-year rolling period, while out-performing the market indices for each asset class over the current five-year rolling period.

To calculate the PERB's defined benefit investment returns, State Street Bank and Trust, BOI's custodial bank and an independent third party, uses the industry performance presentation standards times weighted total rate of return method.

RISK TOLERANCE

In view of the long time horizon of the pension plans and adequacy of cash flow to meet retiree payments, all funds have an above average ability to assume risk. For Montana loans, maximum loan size is \$5 million.

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit plan are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.). A complete list of portfolio information is available through the BOI. State Street Bank and Trust compiles the rates of return for the investments using the Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2005 are reported for each defined benefit fund by the BOI. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS

12-Month Period ending June 30, 2005

Asset Class	<u>INDEX</u>	<u>PERS-DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP <i>91 day T-Bill</i>	2.04%	2.30%	2.30%	2.30%	2.30%
Equities ¹ <i>S&P 500</i>	7.23%	8.39%	8.38%	8.39%	8.38%
Fixed Income <i>LB Aggregate Bond</i>	6.80%	7.99%	8.02%	8.02%	8.02%
Miscellaneous ²		7.60%			
All Assets		8.13%	8.11%	8.19%	8.11%
Index Composite³		7.89%	7.85%	7.93%	7.86%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP <i>91 day T-Bill</i>	2.04%	2.30%	2.30%	2.30%	2.30%
Equities ¹ <i>S&P 500</i>	7.23%	8.38%	8.40%	8.40%	8.44%
Fixed Income <i>LB Aggregate Bond</i>	6.80%	8.02%	8.02%	8.02%	8.02%
All Assets		7.87%	7.99%	7.99%	7.88%
Index Composite³		7.64%	7.74%	7.74%	7.62%

¹ Includes MDEP, MTIP and Real Estate Investments

² Montana Mortgages

³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Three-Year Period ending June 30, 2005					
Asset Class	<u>INDEX</u>	<u>PERS-DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP <i>91 day T-Bill</i>	<i>1.47%</i>	1.65%	1.65%	1.65%	1.65%
Equities ¹ <i>S&P 500</i>	<i>8.90%</i>	9.44%	9.41%	9.39%	9.40%
Fixed Income <i>LB Aggregate Bond</i>	<i>5.76%</i>	7.76%	8.15%	8.15%	8.15%
Miscellaneous ²		5.97%			
All Assets		9.35%	9.47%	9.45%	9.44%
Index Composite³		8.69%	8.60%	8.59%	8.57%
<u>INDEX</u> <u>GWPORS</u> <u>MPORS</u> <u>FURS</u> <u>VFCA</u>					
STIP <i>91 day T-Bill</i>	<i>1.47%</i>	1.65%	1.65%	1.65%	1.65%
Equities ¹ <i>S&P 500</i>	<i>8.90%</i>	9.40%	9.39%	9.40%	9.44%
Fixed Income <i>LB Aggregate Bond</i>	<i>5.76%</i>	8.15%	8.15%	8.15%	8.15%
All Assets		9.39%	9.37%	9.37%	9.74%
Index Composite³		8.55%	8.49%	8.49%	8.88%

¹ Includes MDEP, MTIP and Real Estate Investments
² Montana Mortgages
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS

Five-Year Period ending June 30, 2005

Asset Class	<u>INDEX</u>	<u>PERS-DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP <i>91 day T-Bill</i>	2.49%	2.85%	2.86%	2.86%	2.85%
Equities ¹ <i>S&P 500</i>	-1.22%	-1.69%	-1.76%	-1.79%	-1.78%
Fixed Income <i>LB Aggregate Bond</i>	7.40%	9.01%	9.23%	9.23%	9.23%
Miscellaneous ²		7.89%			
All Assets		2.87%	2.89%	2.91%	2.93%
Index Composite³		3.01%	2.89%	2.86%	2.84%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP <i>91 day T-Bill</i>	2.49%	2.85%	2.86%	2.86%	2.85%
Equities ¹ <i>S&P 500</i>	-1.22%	-1.82%	-1.80%	-1.80%	-1.51%
Fixed Income <i>LB Aggregate Bond</i>	7.40%	9.23%	9.23%	9.23%	9.23%
All Assets		2.92%	2.90%	2.87%	4.68%
Index Composite³		2.86%	2.82%	2.76%	4.53%

¹ Includes MDEP, MTIP and Real Estate Investments

² Montana Mortgages

³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

ASSET ALLOCATION

Correct asset allocation is the main determinant of the BOI's success in meeting long-term investment objectives. The asset mix

with the highest probability of achieving the basic investment objective and the actual asset mix for fiscal year 2004 is listed in the following table for both fixed income investments and equity investments.

FY2005 ASSET ALLOCATION

		Investment Objective	Actual Investment		Investment Objective	Actual Investment
PERS-DBRP				GWPORS		
Fixed	30% to 40%	32.15%		Fixed	30% to 40%	36.26%
Equity	60% to 70%	67.85%		Equity	60% to 70%	63.74%
JRS				MPORS		
Fixed	30% to 40%	32.91%		Fixed	30% to 40%	32.29%
Equity	60% to 70%	67.03%		Equity	60% to 70%	67.71%
HPORS				FURS		
Fixed	30% to 40%	32.57%		Fixed	30% to 40%	32.45%
Equity	60% to 70%	67.43%		Equity	60% to 70%	67.55%
SRS				VFCA		
Fixed	30% to 40%	32.67%		Fixed	30% to 40%	33.30%
Equity	60% to 70%	67.33%		Equity	60% to 70%	66.70%

INVESTMENT FEES AND COMMISSIONS

Throughout the fiscal year, the investment expense for certain investments (pools, real estate) are netted against the investment earnings. At year end, investment earnings

are "grossed" up to report the investment expense for the external manager, custodial bank fees and the BOI administrative cost. This process was implemented July 1, 1995, in compliance with GASB Statement 25.

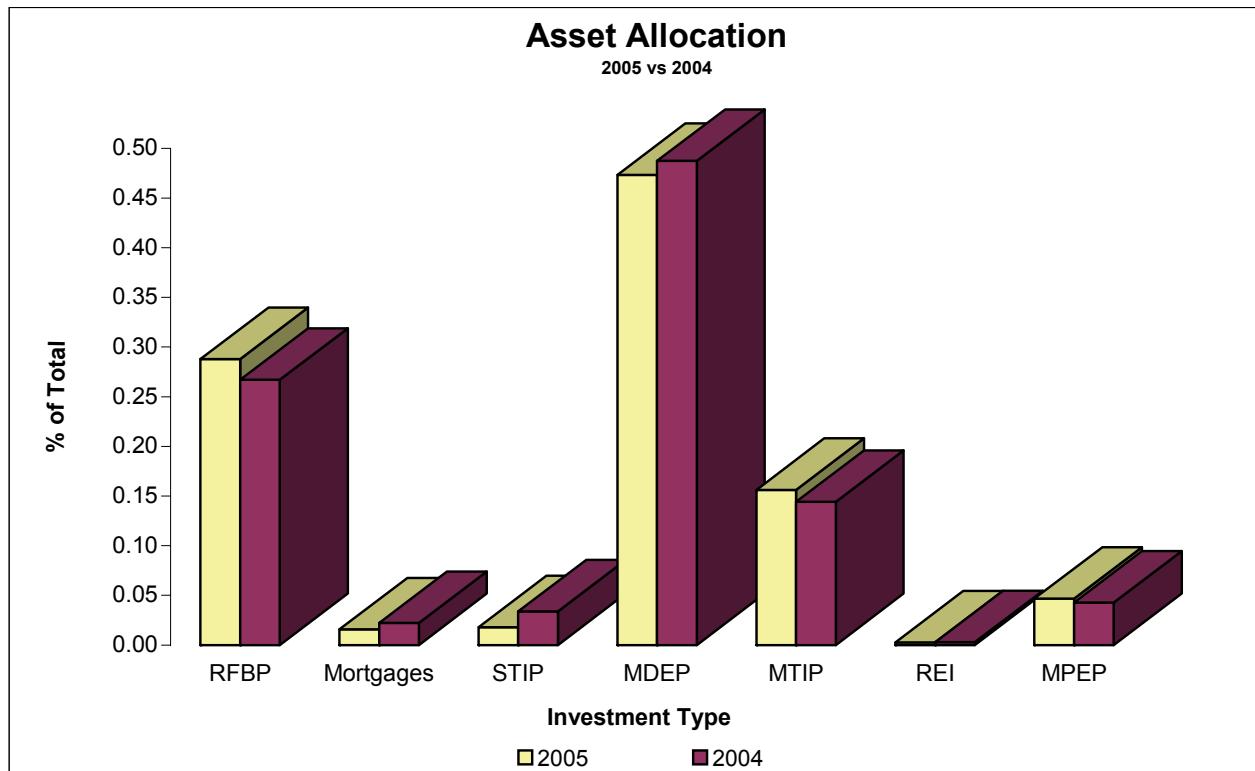
	Fiscal 2005 Administrative Expense								AOF Pension Admin	Total
	STIP	MDEP	MPEP	MTIP	RFBP	AOF	Real Estate			
PERS	11,831.13	1,247,866.74	1,890,911.30	1,338,931.63	118,076.95	141,507.51	28,950.00	170,457.51	4,778,075.26	
JRS	216.33	18,496.27	27,986.33	19,854.33	1,875.41				-	68,428.67
HPORS	289.48	32,306.30	49,549.62	34,598.12	3,248.30				-	119,991.82
SRS	656.12	57,952.68	87,147.70	62,133.39	5,855.13				-	213,745.02
GWPORS	435.99	18,499.71	27,249.49	20,257.62	1,938.34				-	68,381.15
MPORS	734.40	58,857.26	89,626.29	64,654.89	6,066.62				-	219,939.46
FURS	678.50	56,028.68	85,349.32	61,513.52	5,790.67				-	209,360.69
VFCA	96.64	7,781.87	12,454.91	8,674.22	812.83				-	29,820.47
Totals	14,938.59	1,497,789.51	2,270,274.96	1,610,617.72	143,664.25	141,507.51	28,950.00	170,457.51	5,707,742.54	

INVESTMENT SECTION

PERS-DBRP

Asset Mix (fair value)
as of June 30, 2005 and 2004
 (in thousands)

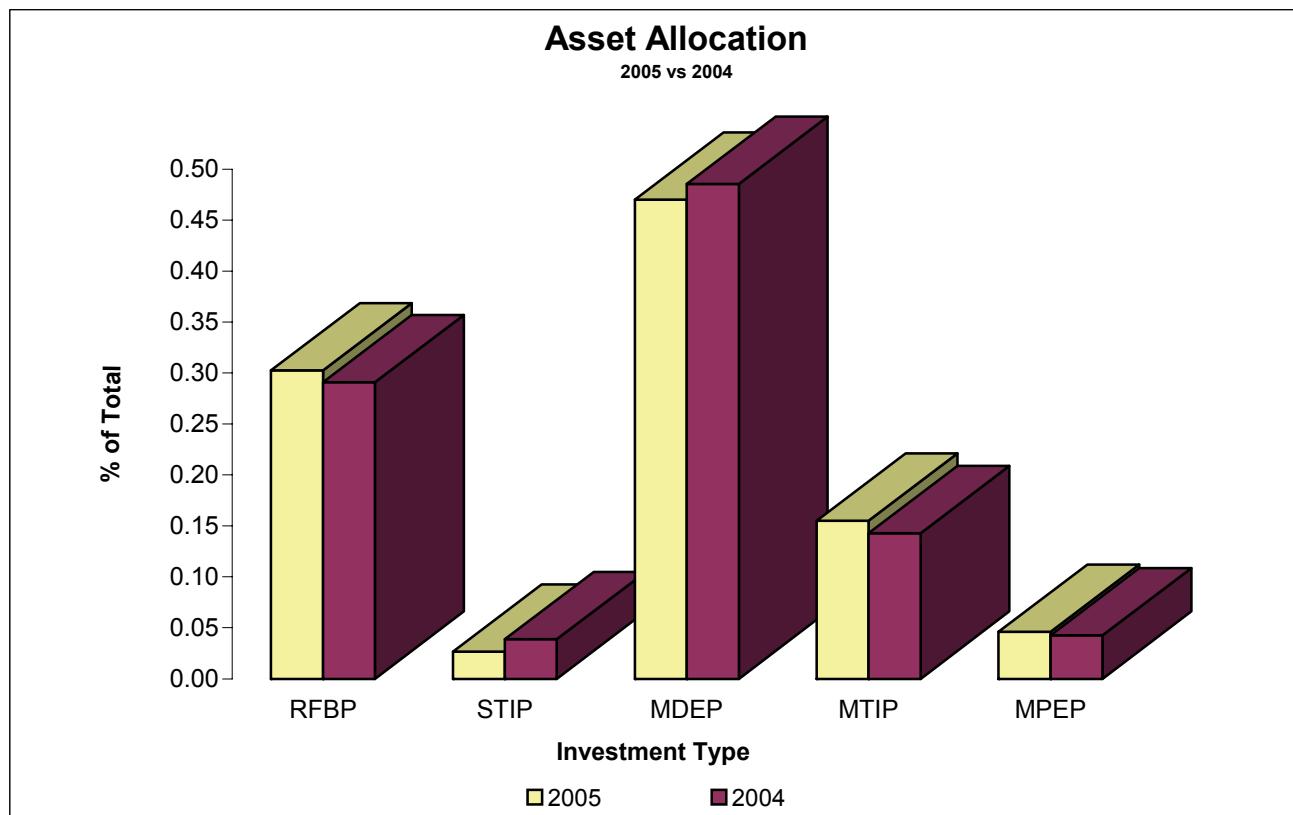
Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 930,369	28.78%	\$ 805,840	26.71%	\$ 124,529	15.45%
Montana Mortgages	50,658	1.57%	66,755	2.21%	(16,097)	-24.11%
STIP	58,112	1.80%	102,343	3.39%	(44,231)	-43.22%
<i>Total Fixed Income</i>	<i>\$ 1,039,139</i>	<i>32.15%</i>	<i>\$ 974,938</i>	<i>32.31%</i>	<i>\$ 64,201</i>	<i>6.59%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 1,529,418	47.31%	\$ 1,469,963	48.72%	\$ 59,455	4.04%
Montana International Pool (MTIP)	505,112	15.62%	434,917	14.42%	70,195	16.14%
Real Estate Investments (REI)	8,525	0.26%	8,409	0.28%	116	1.38%
Montana Private Equity Pool (MPEP)	150,595	4.66%	128,797	4.27%	21,798	16.92%
<i>Total Equities</i>	<i>\$ 2,193,650</i>	<i>67.85%</i>	<i>\$ 2,042,086</i>	<i>67.69%</i>	<i>\$ 151,564</i>	<i>7.42%</i>
Total	\$ 3,232,789	100.00%	\$ 3,017,024	100.00%	\$ 215,765	7.15%



JRS

Asset Mix (fair value) as of June 30, 2005 and 2004 (in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 14,655	30.26%	\$ 13,024	29.07%	\$ 1,631	12.52%
STIP	1,284	2.65%	1,733	3.87%	(449)	-25.91%
<i>Total Fixed Income</i>	<i>\$ 15,939</i>	<i>32.91%</i>	<i>\$ 14,757</i>	<i>32.94%</i>	<i>\$ 1,182</i>	<i>8.01%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 22,749	46.99%	\$ 21,739	48.54%	\$ 1,010	4.65%
Montana International Pool (MTIP)	7,507	15.50%	6,393	14.27%	1,114	17.43%
Montana Private Equity Pool (MPEP)	2,229	4.60%	1,906	4.25%	323	16.95%
<i>Total Equities</i>	<i>\$ 32,485</i>	<i>67.09%</i>	<i>\$ 30,038</i>	<i>67.06%</i>	<i>\$ 2,447</i>	<i>8.15%</i>
Total	\$ 48,424	100.00%	\$ 44,795	100.00%	\$ 3,629	8.10%

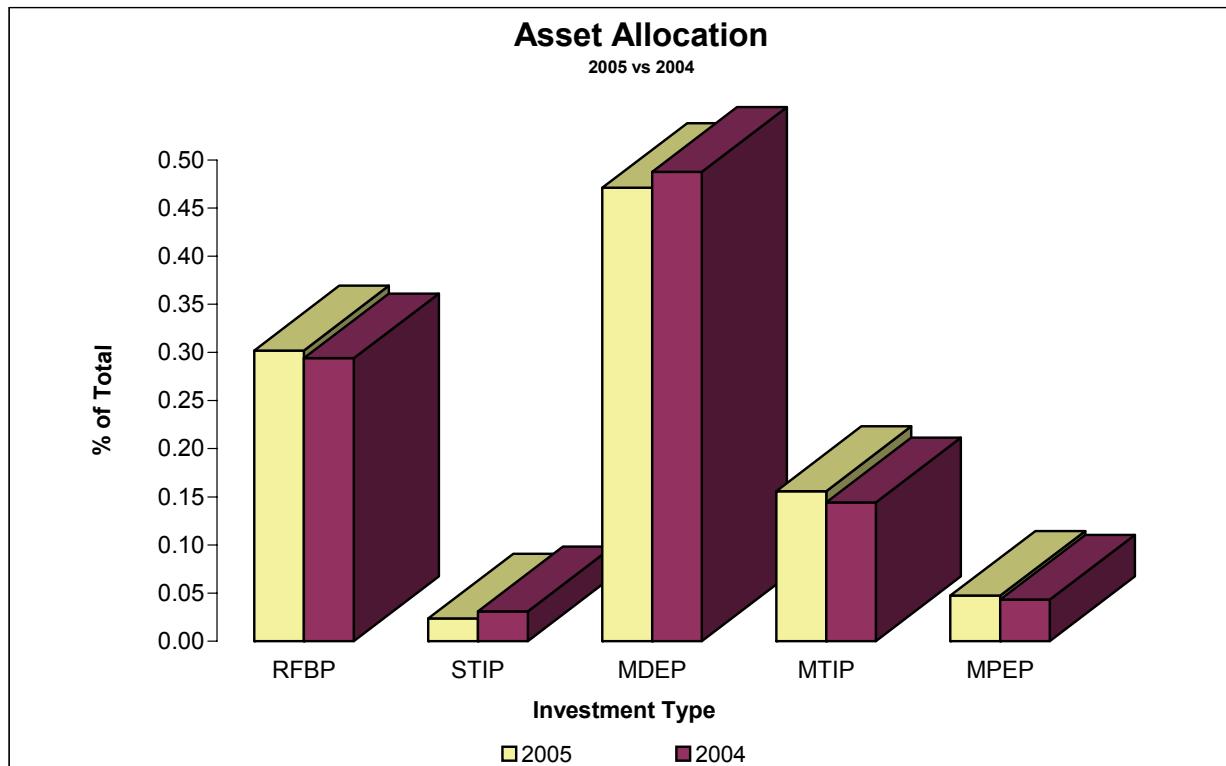


INVESTMENT SECTION

HPORS

Asset Mix (fair value)
as of June 30, 2005 and 2004
 (in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 25,244	30.20%	\$ 23,018	29.39%	\$ 2,226	9.67%
STIP	1,978	2.37%	2,430	3.10%	(452)	-18.60%
<i>Total Fixed Income</i>	<i>\$ 27,222</i>	<i>32.57%</i>	<i>\$ 25,448</i>	<i>32.49%</i>	<i>\$ 1,774</i>	<i>6.97%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 39,376	47.10%	\$ 38,192	48.77%	\$ 1,184	3.10%
Montana International Pool (MTIP)	13,035	15.60%	11,296	14.42%	1,739	15.39%
Montana Private Equity Pool (MPEP)	3,946	4.73%	3,375	4.32%	571	16.92%
<i>Total Equities</i>	<i>\$ 56,357</i>	<i>67.43%</i>	<i>\$ 52,863</i>	<i>67.51%</i>	<i>\$ 3,494</i>	<i>6.61%</i>
Total	\$ 83,579	100.00%	\$ 78,311	100.00%	\$ 5,268	6.73%

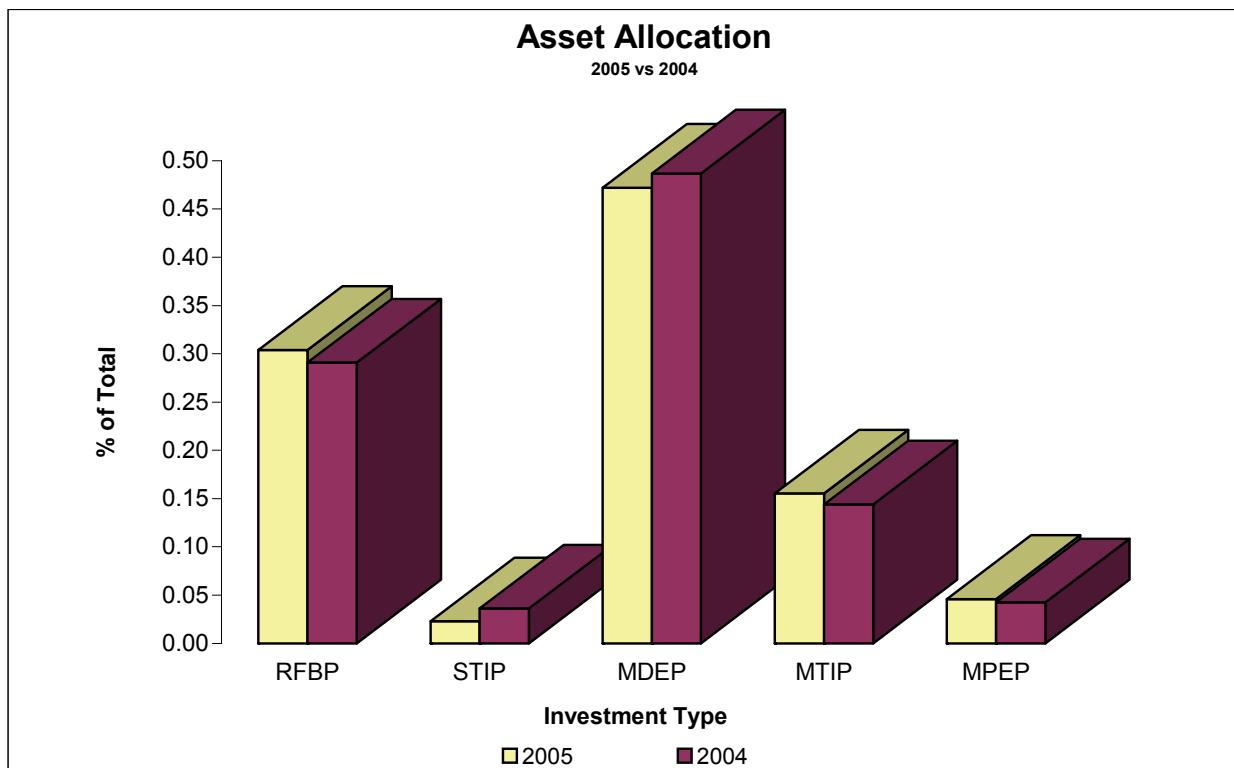


INVESTMENT SECTION

SRS

Asset Mix (fair value)
as of June 30, 2005 and 2004
 (in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 45,890	30.39%	\$ 40,680	29.08%	\$ 5,210	12.81%
STIP	3,441	2.28%	5,055	3.61%	(1,614)	-31.93%
<i>Total Fixed Income</i>	<i>\$ 49,331</i>	<i>32.67%</i>	<i>\$ 45,735</i>	<i>32.69%</i>	<i>\$ 3,596</i>	<i>7.86%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 71,278	47.20%	\$ 68,112	48.68%	\$ 3,166	4.65%
Montana International Pool (MTIP)	23,457	15.53%	20,127	14.39%	3,330	16.54%
Montana Private Equity Pool (MPEP)	6,941	4.60%	5,936	4.24%	1,005	16.93%
<i>Total Equities</i>	<i>\$ 101,676</i>	<i>67.33%</i>	<i>\$ 94,175</i>	<i>67.31%</i>	<i>\$ 7,501</i>	<i>7.96%</i>
Total	\$ 151,007	100.00%	\$ 139,910	100.00%	\$ 11,097	7.93%

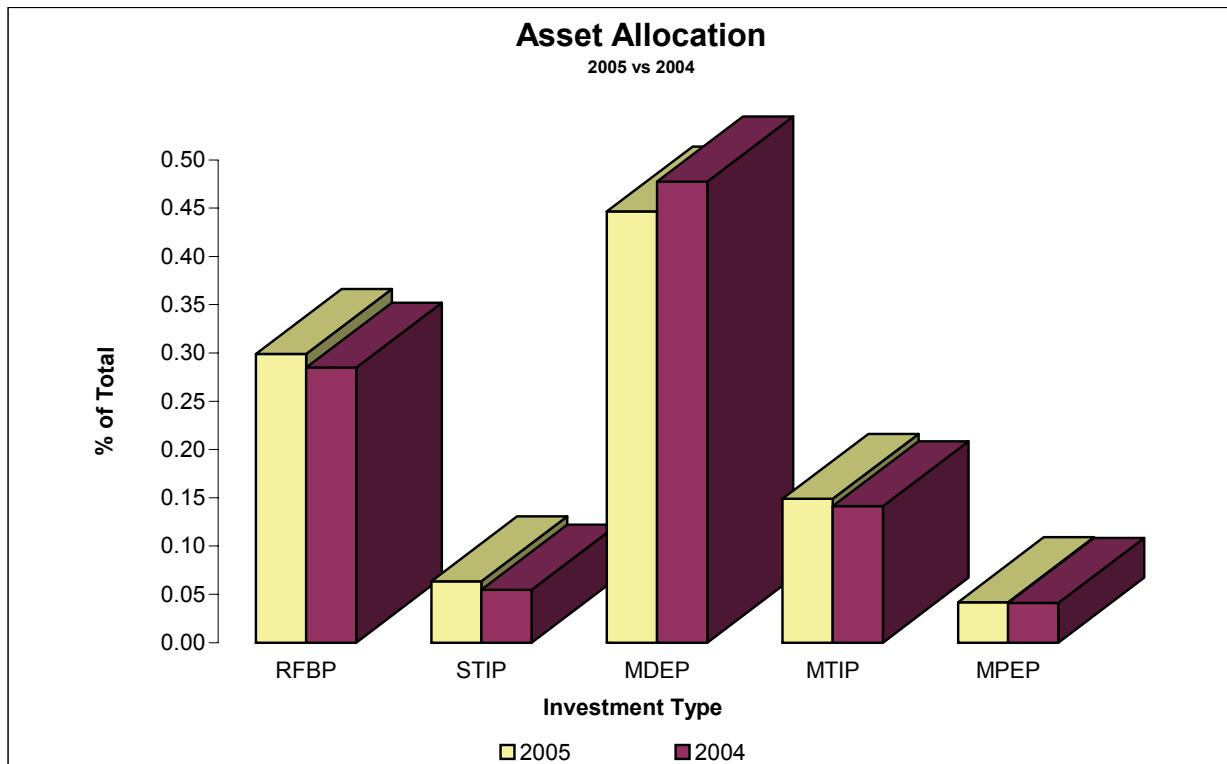


INVESTMENT SECTION

GWPORS

Asset Mix (fair value)
as of June 30, 2005 and 2004
 (in thousands)

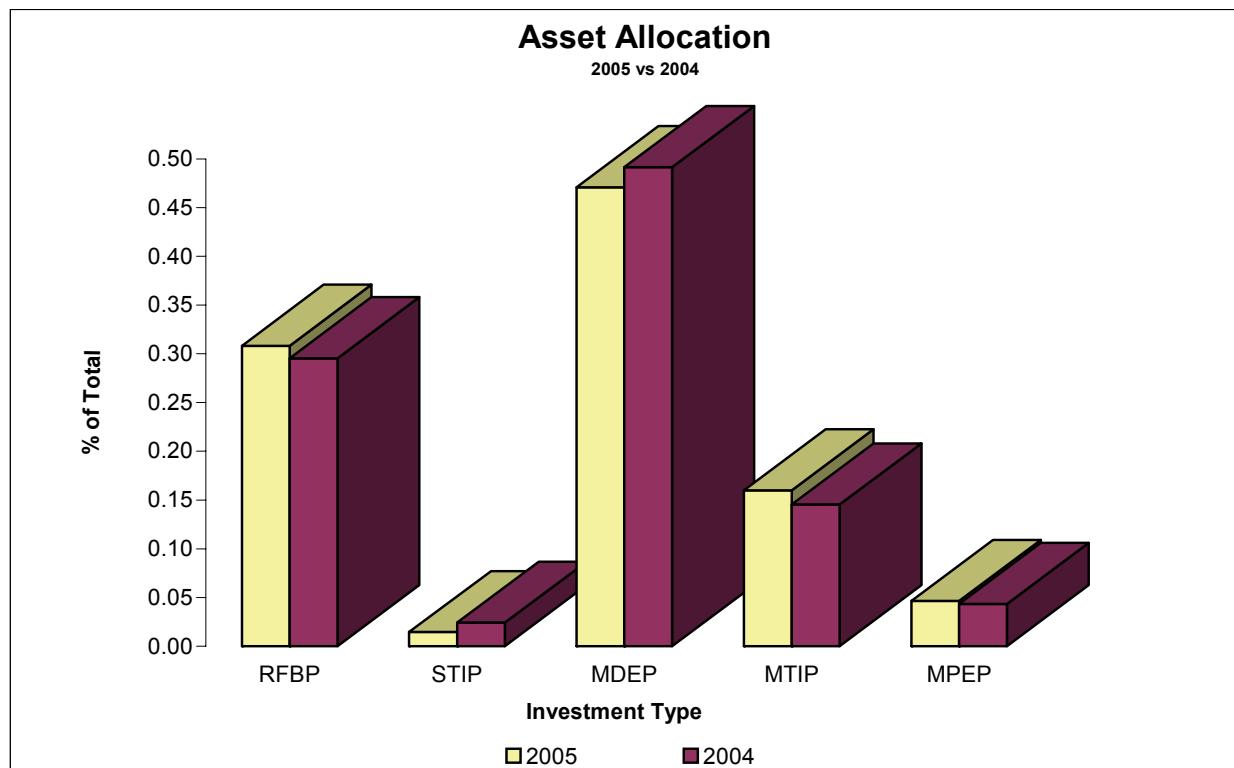
Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 15,471	29.90%	\$ 12,837	28.49%	\$ 2,634	20.52%
STIP	3,292	6.36%	2,472	5.49%	820	33.17%
<i>Total Fixed Income</i>	<i>\$ 18,763</i>	<i>36.26%</i>	<i>\$ 15,309</i>	<i>33.98%</i>	<i>\$ 3,454</i>	<i>22.56%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 23,111	44.66%	\$ 21,521	47.76%	\$ 1,590	7.39%
Montana International Pool (MTIP)	7,705	14.89%	6,372	14.14%	1,333	20.92%
Montana Private Equity Pool (MPEP)	2,170	4.19%	1,856	4.12%	314	16.92%
<i>Total Equities</i>	<i>\$ 32,986</i>	<i>63.74%</i>	<i>\$ 29,749</i>	<i>66.02%</i>	<i>\$ 3,237</i>	<i>10.88%</i>
Total	\$ 51,749	100.00%	\$ 45,058	100.00%	\$ 6,691	14.85%



MPORS

Asset Mix (fair value)
as of June 30, 2005 and 2004
 (in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 47,395	30.83%	\$ 41,584	29.55%	\$ 5,811	13.97%
STIP	2,246	1.46%	3,403	2.43%	(1,157)	-34.00%
<i>Total Fixed Income</i>	<i>\$ 49,641</i>	<i>32.29%</i>	<i>\$ 44,987</i>	<i>31.97%</i>	<i>\$ 4,654</i>	<i>10.35%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 72,390	47.09%	\$ 69,175	49.15%	\$ 3,215	4.65%
Montana International Pool (MTIP)	24,555	15.98%	20,458	14.54%	4,097	20.03%
Montana Private Equity Pool (MPEP)	7,138	4.64%	6,105	4.34%	1,033	16.92%
<i>Total Equities</i>	<i>\$ 104,083</i>	<i>67.71%</i>	<i>\$ 95,738</i>	<i>68.03%</i>	<i>\$ 8,345</i>	<i>8.72%</i>
Total	\$ 153,724	100.00%	\$ 140,725	100.00%	\$ 12,999	9.24%

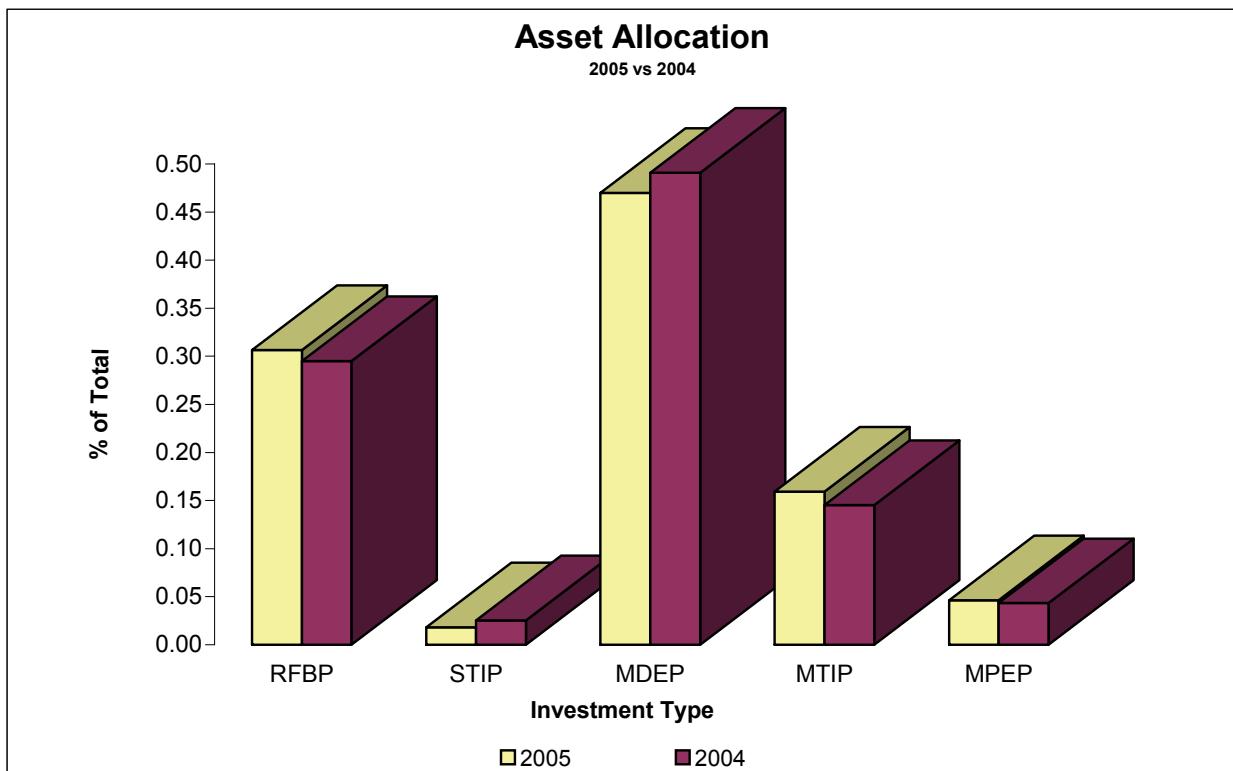


INVESTMENT SECTION

FURS

Asset Mix (fair value)
as of June 30, 2005 and 2004
 (in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 44,975	30.65%	\$ 39,592	29.51%	\$ 5,383	13.60%
STIP	2,641	1.80%	3,414	2.55%	(773)	-22.64%
<i>Total Fixed Income</i>	<i>\$ 47,616</i>	<i>32.45%</i>	<i>\$ 43,006</i>	<i>32.06%</i>	<i>\$ 4,610</i>	<i>10.72%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 68,911	46.98%	\$ 65,851	49.09%	\$ 3,060	4.65%
Montana International Pool (MTIP)	23,361	15.94%	19,469	14.52%	3,892	19.99%
Montana Private Equity Pool (MPEP)	6,797	4.63%	5,813	4.33%	984	16.93%
<i>Total Equities</i>	<i>\$ 99,069</i>	<i>67.55%</i>	<i>\$ 91,133</i>	<i>67.94%</i>	<i>\$ 7,936</i>	<i>8.71%</i>
Total	\$ 146,685	100.00%	\$ 134,139	100.00%	\$ 12,546	9.35%

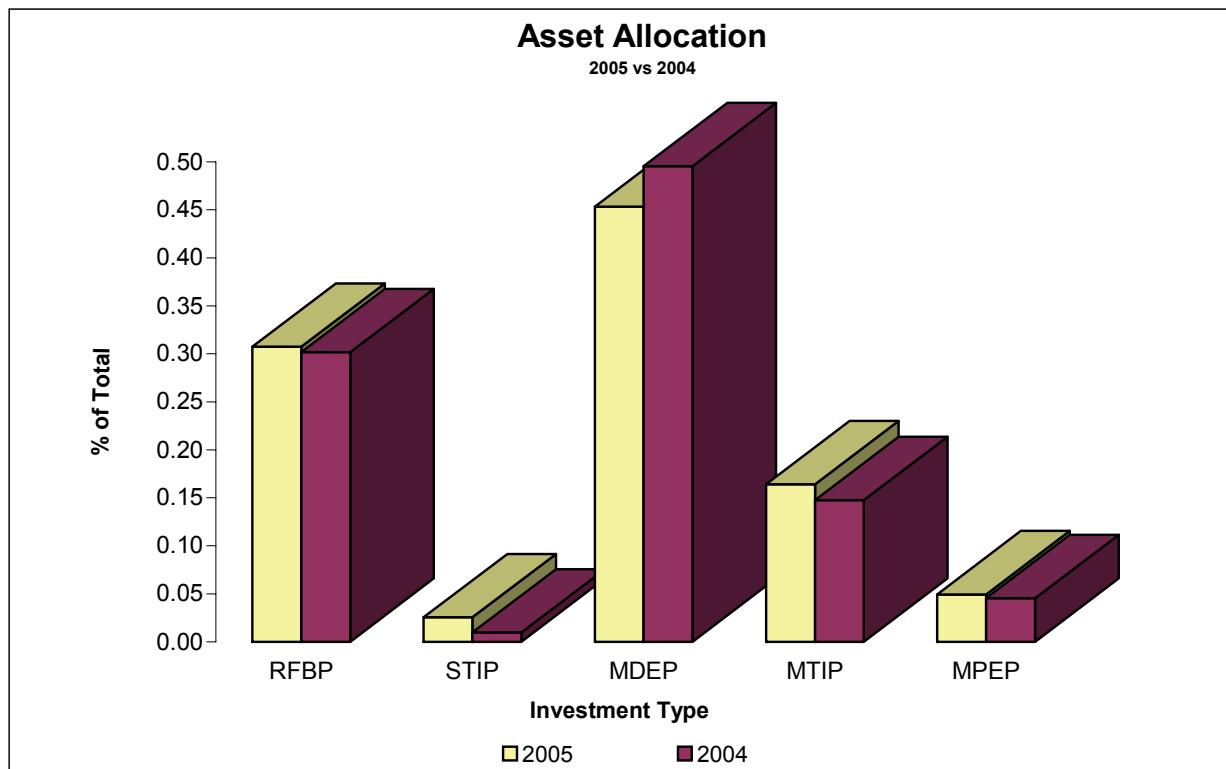


INVESTMENT SECTION

VFCA

Asset Mix (fair value)
as of June 30, 2005 and 2004
 (in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
<i>Fixed Income:</i>						
Retirement Funds Bond Pool (RFBP)	\$ 6,170	30.75%	\$ 5,617	30.18%	\$ 553	9.85%
STIP	512	2.55%	180	0.97%	332	184.44%
<i>Total Fixed Income</i>	\$ 6,682	33.30%	\$ 5,797	31.15%	\$ 885	15.27%
<i>Equities:</i>						
Montana Domestic Equity Pool (MDEP)	\$ 9,096	45.34%	\$ 9,221	49.54%	\$ (125)	-1.36%
Montana International Pool (MTIP)	3,294	16.42%	2,746	14.75%	548	19.96%
Montana Private Equity Pool (MPEP)	992	4.94%	848	4.56%	144	16.98%
<i>Total Equities</i>	\$ 13,382	66.70%	\$ 12,815	68.85%	\$ 567	4.42%
Total	\$ 20,064	100.00%	\$ 18,612	100.00%	\$ 1,452	7.80%



INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value)

as of June 30, 2005

A complete list of the portfolio holdings can be obtained by contacting the Montana Board of Investments.
The information below is MPERA's presentation of the largest holdings.

Shares/Par	Mortgages Portfolio	Fair Value
212,353,581	Montana Permanent Coal Trust Loans	\$ 212,353,581
92,939,453	Montana Residential Mortgages	93,811,197

PERS' 50,187,304 shares represent 16.4% of the total Mortgages portfolio at market.

Shares/Par	MPEP Portfolio	Fair Value
61,044,091	Brinson Partnership Fund Trust	\$ 57,048,755
38,720,252	KKR 1996	40,821,058
21,520,090	Lexington Capital Partnership V LP	32,388,833
206,943	State Street SPIFF	32,180,151
16,260,936	KKR European Fund	18,864,832
17,325,831	Adams Steet Partnership Fund	17,773,738
1	OCM Opportunities Fund IVB LP	16,896,984
12,954,898	WCAS IX	16,634,646
15,200,000	Adams Street Fund V	13,289,360
12,844,288	Brinson Venture Capital Fund IV	9,174,546

PERS' 1,297,560 shares represent 50.56% of the total MPEP portfolio at market.

JRS' 19,204 shares represent 0.75% of the total MPEP portfolio at market.

HPORS' 34,001 shares represent 1.32% of the total MPEP portfolio at market.

SRS' 59,802 shares represent 2.33% of the total MPEP portfolio at market.

GWPORS' 18,699 shares represent 0.73% of the total MPEP portfolio at market.

MPORS' 61,502 shares represent 2.40% of the total MPEP portfolio at market.

FURS' 58,567 shares represent 2.28% of the total MPEP portfolio at market.

VFCA's 8,547 shares represent 0.33% of the total MPEP portfolio at market.

Public Employees' Retirement Board

A Component Unit of the State of Montana
Largest Holdings (by portfolio fair value)
as of June 30, 2005

Shares/Par	MDEP Portfolio	Fair Value
2,138,200	General Electric Co	\$ 74,088,630
1,136,612	Exxon Mobil Corp	65,321,092
1,063,366	Citigroup Inc	49,159,410
667,300	Johnson & Johnson	43,374,500
1,680,000	Microsoft Corp	41,731,200
1,475,960	Pfizer Inc	40,706,977
809,100	Bank American Corp	36,903,051
1,281,500	Intel Corp	33,395,890
594,500	Chevron Corp	33,244,440
626,000	Wal Mart Stores Inc	30,173,200

PERS' 11,886,568 shares represent 50.78% of the total MDEP portfolio at market.

JRS' 176,805 shares represent 0.76% of the total MDEP portfolio at market.

HPORS' 306,032 shares represent 1.31% of the total MDEP portfolio at market.

SRS' 553,968 shares represent 2.37% of the total MDEP portfolio at market.

GWPORS' 179,621 shares represent 0.77% of the total MDEP portfolio at market.

MPORS' 562,614 shares represent 2.40% of the total MDEP portfolio at market.

FURS' 535,576 shares represent 2.29% of the total MDEP portfolio at market.

VFCA's 70,694 shares represent 0.30% of the total MDEP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
35,000,000	Federal Home Loan Mortgage Corp	\$ 34,911,065
150,000,000	Federal Home Loan Mortgage Corp	33,199,650
33,306,281	Federal Home Loan Pool G11670	32,615,075
30,000,000	Federal National Mortgage Assn	31,706,103
30,000,000	Bishopsgate CDO Ltd	30,000,000
30,000,000	United States Treasury Notes	29,769,150
30,000,000	United States Treasury Notes	29,724,600
21,000,000	United States Treasury Bonds	26,906,250
30,000,000	DOT Headquarters II Lease Mtg	26,706,900
26,250,466	FNMA Pool 725346	25,750,076

PERS' 883,496,318 shares represent 50.67% of the total RFBP portfolio at market.

JRS' 13,916,725 shares represent 0.80% of the total RFBP portfolio at market.

HPORS' 23,971,780 shares represent 1.37% of the total RFBP portfolio market.

SRS' 43,578,085 shares represent 2.50% of the total RFBP portfolio at market.

GWPORS' 14,961,957 shares represent 0.84% of the total RFBP portfolio at market.

MPORS' 45,007,135 shares represent 2.58% of the total RFBP portfolio at market.

FURS' 42,709,056 shares represent 2.45% of the total RFBP portfolio market.

VFCA's 5,859,061 shares represent 0.34% of the total RFBP portfolio market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value)

as of June 30, 2005

Shares/Par	MTIP Portfolio	Fair Value
45,849,990	BGI Equity Index Fund Europe	\$ 466,246,669
5,218,408	DFA International Small Co	76,554,040
3,578,423	BGI Pacific Index Strategy Fund	50,628,249
182,600	Novartis AG	8,844,649
28,130	Nestle S A	7,202,123
105,900	Royal Dutch Petrol	6,923,219
422,093	Telefonica SA	6,919,030
24,900	Total SA	5,857,206
12,235	Samsung Electronic	5,848,176
5,660,782	State Street Bank & Trust Co	5,660,782

PERS' 4,152,606 shares represent 50.84% of the total MTIP portfolio at market.

JRS' 61,715 shares represent 0.76% of the total MTIP portfolio at market.

HPORS' 107,159 shares represent 1.31% of the total MTIP portfolio at market.

SRS' 192,841 shares represent 2.36% of the total MTIP portfolio at market.

GWPORS' 63,346 shares represent 0.78% of the total MTIP portfolio at market.

MPORS' 201,874 shares represent 2.47% of the total MTIP portfolio at market.

FURS' 192,054 shares represent 2.35% of the total MTIP portfolio at market.

VFCA's 27,080 shares represent 0.33% of the total MTIP portfolio at market.

INVESTMENT SECTION

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INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2005

(in thousands)

Type of Investment	PERS-DBRP		JRS		HPORS	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 930,369	28.78%	\$ 14,655	30.26%	\$ 25,244	30.20%
<i>Equities</i>						
Montana Domestic Equity Pool	1,529,418	47.31%	22,749	46.99%	39,376	47.10%
Montana International Pool	505,112	15.62%	7,507	15.50%	13,035	15.60%
<i>Alternative Equities</i>						
Montana Private Equity Pool	150,595	4.66%	2,229	4.60%	3,946	4.73%
Real Estate Investments	8,525	0.26%	N/A		N/A	
<i>Montana Mortgages & Loans</i>						
Mortgages	50,658	1.57%	N/A		N/A	
<i>Short Term Investments</i>						
Short Term Investment Pool	58,112	1.80%	1,284	2.65%	1,978	2.37%
Total	\$ 3,232,789	100.00%	\$ 48,424	100.00%	\$ 83,579	100.00%

INVESTMENT SECTION

SRS		GWPORS		MPORS		FURS		VFCA	
Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
\$ 45,890	30.39%	\$ 15,471	29.90%	\$ 47,395	30.83%	\$ 44,975	30.65%	\$ 6,170	30.75%
71,278 23,457	47.20% 15.53%	23,111 7,705	44.66% 14.89%	72,390 24,555	47.09% 15.98%	68,911 23,361	46.98% 15.94%	9,096 3,294	45.34% 16.42%
6,941 N/A	4.60%	2,170 N/A	4.19%	7,138 N/A	4.64%	6,797 N/A	4.63%	992 N/A	4.94%
N/A		N/A		N/A		N/A		N/A	
3,441	2.28%	3,292	6.36%	2,246	1.46%	2,641	1.80%	512	2.55%
\$ 151,007	100.00%	\$ 51,749	100.00%	\$ 153,724	100.00%	\$ 146,685	100.00%	\$ 20,064	100.00%

INVESTMENT SECTION

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